GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2516
ANSWERED ON:18.08.2006
CE LAWS (AMENDMENT& VALIDATION ORDINANCE)
Barman Shri Ranen

Will the Minister of FINANCE be pleased to state:

(a) The purpose of promulgation of the Central Excise Laws (Amendment & Validation) Ordinance 2005;

(b) Whether validity of the Ordinance has since been allowed to expire, if so, the reasons therefore;

(c) The volume of claim on account of unpaid excise duty made on M/s ITC Limited;

(d) The status of the excise duty claim following expiry of the terms of the Ordinance;

(e) Whether any Ordinance were promulgated, seeking amendment(s) to Central Excise Rules with retrospective effect; and

(f) If so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a): By an order dated 29.12.1995 the Commissioner of Central Excise, New Delhi confirmed an amount of Rs. 683.5 crores on M/s. ITC Ltd. in a matter arising out of a show cause notice demanding duty of Rs. 803 crores issued to M/s. ITC Ltd. and its outside contract manufacturers during the year 1987. During the pendency of an appeal against the said order before the Tribunal, M/s. ITC Ltd. paid Rs. 350 crores as pre-deposit. The said demand was set aside by the Tribunal on 4.9.1998 and thereafter by the Hon`ble Supreme Court on 10.9.2004. The Court subsequently also dismissed the review petition filed by the Government. The Central Excise Laws

(Amendment & Validation) Ordinance, 2005, came in to force on the 25th January 2005 to cure the infirmities pointed out by the Supreme Court in the relevant notifications and to validate the actions taken thereunder.

(b) : During the currency of the Ordinance, M/s. ITC Ltd. expressed their willingness to forego their claim for refund of the deposit of Rs. 350 crores and requested the Government to waive the demand for the balance under the Ordinance or otherwise. After carefully considering the matter, and having regard to suggestions that the tax dispute should be settled on a reasonable basis, the Government accepted ITC Ltd`s offer. The adjudicating authority by an order dated 5th April, 2005 accepted the settlement and adjudged the payment of Rs. 350 crores as central excise duty.

(c): By an order dated 29.12.1995 the Commissioner of Central Excise, New Delhi confirmed an amount of Rs. 683.5 crores on M/s. ITC Ltd. in a matter arising out of a show cause notice demanding duty of Rs. 803 crores issued to M/s. ITC Ltd. and its outside contract manufacturers during the year 1987.

(d) : The Excise duty claim does not survive following the expiry of the terms of the Ordinance and acceptance of the settlement by an order dated the 5th April 2005.

(e) & (f): Reply to these parts has to be constructed with effect from the date the Central Excise Rules came into force. The same is being collected and will be laid on the table of the House.